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CITY OF BERKELEY

DIRECTOR OF
COMPREHENSIVE
PLANNING

830-10

*Real property Tax - CA
Municipal budgets - " - Berkeley
Berkeley - Approp. + expend.*CITY MANAGER'S OFFICE
2180 MILVIA STREET

BERKELEY, CALIFORNIA

(415) 644-6580
94704MEMORANDUM

January 30, 1978

To: Honorable Mayor and
Members of the City Council

From: *E* Elijah B. Rogers, City Manager

Subject: JARVIS/GANN PROPERTY TAX INITIATIVE

*Jan
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On December 28, 1977, the Jarvis/Gann Initiative Constitutional Amendment - Property Tax Limitation was certified for inclusion on the June 6, 1978 primary election ballot.

The Amendment, if passed, will:

1. Limit property taxes to 1% of full cash value (4% of assessed valuation), except to pay the interest and redemption charges on any indebtedness approved by the voters.
2. Require that the taxes be "collected by the counties and apportioned according to law to the districts within the counties." Technically, since cities are not "districts" there is a question as to whether we would be legally entitled to any property tax receipts. The "law" referred to is currently non-existent, so there is no guideline by which to determine what proportion of the tax dollars would go to the counties, cities, schools, or special districts.
3. Define "full cash value" as the amount shown on FY 1975-76 property tax bills.
4. Allow for a maximum annual increase of 2%.
5. Require a two-thirds vote of the qualified electors (not two-thirds of those voting) to impose special taxes. No increase in property taxes, property transfer taxes, or sales tax on real property would be allowable.
6. Take effect July 1, 1978.

The implications for the City, if this initiative passes, are catastrophic.

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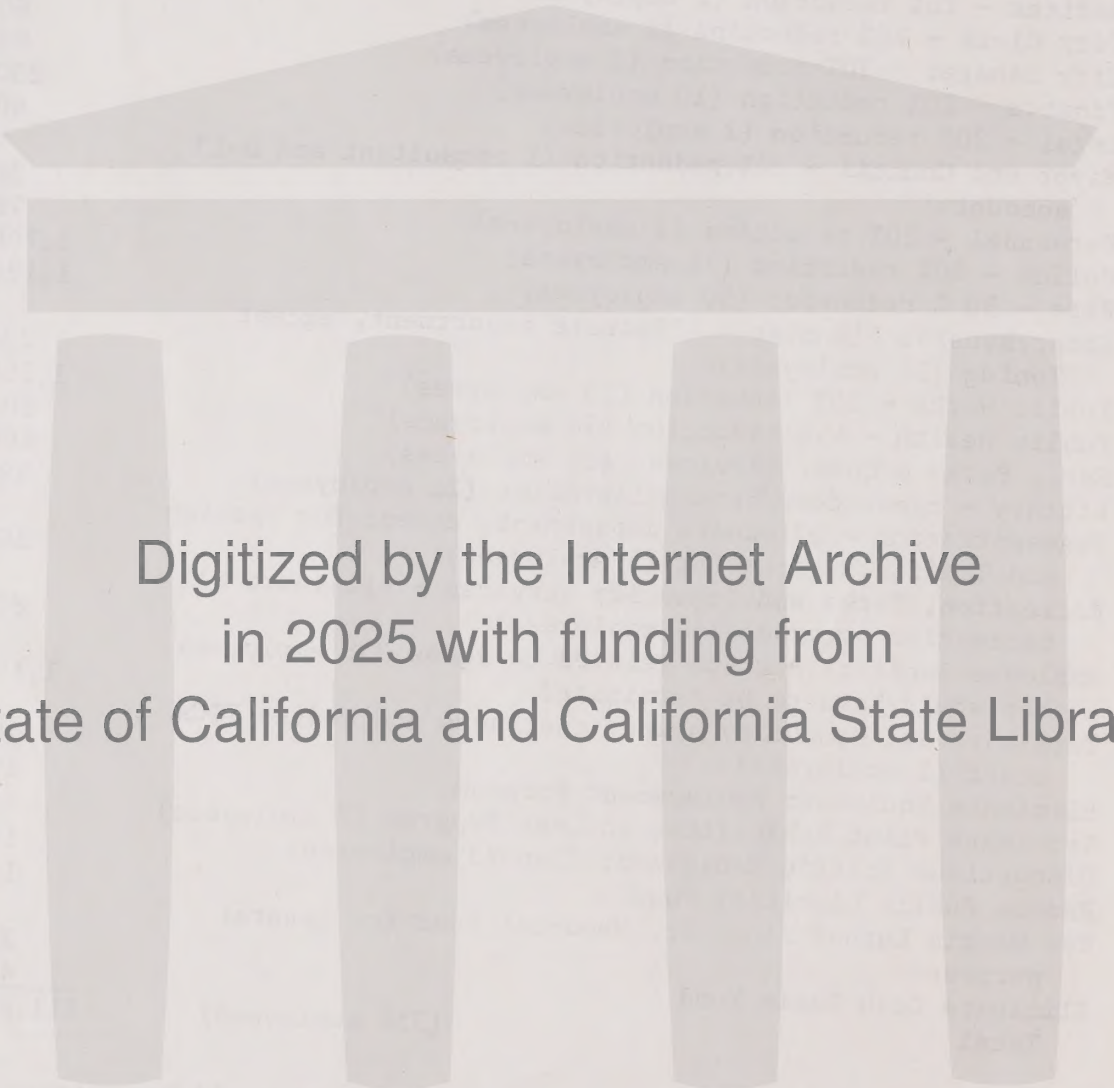
Assuming that the County would distribute property tax receipts in the same proportion that they are now distributed, Berkeley's FY 1978-79 General Fund discretionary share would be approximately \$3,150,000, as compared to the Director of Finance's estimate, under current conditions, of \$14,820,000. This loss of revenue of \$11,670,000 would require some variation of the following reductions:

Auditor - 20% reduction (2 employees)	\$ 30,000
City Clerk - 20% reduction (2 employees)	60,000
City Manager - 20% reduction (3 employees)	90,000
Finance - 20% reduction (10 employees)	230,000
Legal - 20% reduction (2 employees)	40,000
Mayor and Council - 20% reduction (1 consultant and D-13 accounts)	30,000
Personnel - 20% reduction (3 employees)	70,000
Police - 30% reduction (76 employees)	1,700,000
Fire - 30 % reduction (50 employees)	1,180,000
Comprehensive Planning - eliminate department, except Zoning (12 employees)	230,000
Public Works - 30% reduction (35 employees)	1,100,000
Public Health - 45% reduction (36 employees)*	800,000
Rec., Parks & Comm. Services (35 employees)	600,000
Library - close down branch libraries (21 employees)	590,000
Transportation - eliminate department, except for Parking and Traffic Engineering (5 employees)	100,000
Recreation, Parks and Community Services - eliminate all recreation programs (60 employees)	825,000
Employee Benefits - costs related to those 358 employees who would have to be terminated	1,195,000
Terminate all community agency contracts and reduce PDCA staff (2 employees)	850,000
Eliminate Equipment Replacement Program	473,000
Terminate Pilot Rehabilitation Loan Program (7 employees)	470,000
Discontinue Traffic Management Plan (3 employees)	177,000
Reduce Public Liability Fund	175,000
Use Martin Luther King, Jr. Memorial Fund for general purposes	255,000
Eliminate Cash Basis Fund	400,000
Total (358 employees)	\$11,670,000

In addition, revenues coming into the Measure Y Fund would be reduced from \$938,000 to \$200,000. Assuming the same level of revenue in FY 1979-80, the whole Measure Y Program would be reduced by 35%, meaning that 10 to 15 approved projects would not be carried out.

Another problem would be the Redevelopment Agency. While the Amendment would allow us to continue taxation for the purpose of paying off our 1961 Storm Drain and 1972 Library Bonds because they were approved by the voters, it does not appear that the bonds recently sold by the BRA would qualify. Therefore, with the greatly reduced property tax revenue, it is unlikely that the BRA would be able to pay off its outstanding bonds.

* See Page 3.



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There would also probably be a decrease in our General Revenue Sharing revenues.

Our CETA Program would be affected also. Department of Labor regulations forbid the use of PSEs to fill regular City jobs that are vacated by career employees, and will not allow CETA dollars to simply replace local dollars. However, the lay-offs of career employees and the retention of PSEs resulting from passage of the Jarvis/Gann Initiative would not be considered illegal for DOL because it may not be a deliberate displacement action initiated by the City.

The above listed reductions are not definitive, and the specific dollar amounts are tentative. However, due to the seriousness of the problem and the possibility that the Jarvis/Gann Initiative will be approved by the electorate, department heads, by this memorandum, are being instructed to prepare alternative FY 1978-79 budgets which include the above listed reductions.

If the Amendment passes and the State Legislature decides to pass measures to provide replacement revenues, the following options exist:

1. Increase the State Sales Tax to 12.25%.
2. Place a 150% surcharge on the State Income Tax.
3. Eliminate the 50% business inventory tax exemption and increase the corporation tax rate from 9% to 44%.
4. Any combination of the above.

The State Assembly Committee on Revenue and Taxation, Chaired by Assemblymember Willie Brown, has established a special task force to develop revenue replacement strategies should the Amendment pass.

There are some unilateral actions which the City could take to restore lost revenues such as to:

1. Increase parking fees.
2. Increase fines and penalties.
3. Increase cost of permits.
4. Increase cost of various services, such as refuse collection, animal care, and health services.

These items now provide the City with revenues of \$4,300,000 and would all have to be increased by 367% in order to recoup the lost property tax revenues.

Attachment

cc: Department Heads

* As of March 1, 1979, the City would declare its intent to relinquish health care responsibility to Alameda County. This relinquishment would take effect July 1, 1979.

THE PROPOSED MEASURE

That Article XIII A is added to the Constitution to read:

Section 1.

- a. The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.
- b. The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

- a. The full cash value means the County Assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation.
- b. The fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

Cities, counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, county or special district.

Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any section, part, clause, or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected, but will remain in full force and effect.

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